



SEABOARD COAST LINE RAILROAD COMPANY

Treasury Department
P. O. Box 27581
Richmond, Virginia 23261

LEONARD G. ANDERSON
VICE PRESIDENT AND TREASURER

July 27, 1976

RECORDATION NO. 8422
Filed & Recorded 150-21-241

Mr. Robert L. Oswald, Secretary
Interstate Commerce Commission
Washington, D. C. 20423

AMT 27 1976 - 3 22 PM

INTERSTATE COMMERCE COMMISSION

RECEIVED
JUL 27 3 29 PM '76
CERTIFICATION UNIT

Dear Mr. Oswald:

I am enclosing for filing and recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, counterparts Nos. 1 through 4 of Lease of Railroad Equipment and Assignment of Lease Agreement dated as of June 1, 1976, described in detail below. Such documents by their respective terms provide that each counterpart shall be deemed an original and, accordingly, counterpart No. 4 may be treated as the original and the others as counterparts thereof.

The equipment being leased was acquired by the Lessor under a Reconstruction and Conditional Sale Agreement being filed with the Commission simultaneously herewith for recordation immediately prior hereto.

1. Names and addresses of the parties to the Lease of Railroad Equipment and Assignment of Lease and Agreement

6-209A095

(a) Lessor and Assignor - Exchange National Bank of Chicago, LaSalle and Adams Streets, Chicago, Illinois 60690

NO.

Date JUL 27 1976

Fee \$ 50-

(b) Lessee - Seaboard Coast Line Railroad Company, 3600 West Broad Street, Richmond, Virginia 23230

ICC Washington, D. C.

(c) Assignee-Owner - American National Bank and Trust Company of Chicago, LaSalle and Washington Streets, Chicago, Illinois 60690

2. Description of the equipment
Identifying marks:

"Ownership Subject to a Security Agreement filed under the Interstate Commerce Act, Section 20c"

Carried out
So Mead

Mr. Robert L. Oswald

<u>General Description</u>	<u>Type of Equipment</u>	<u>A.A.R.Mech. Design.</u>	<u>Number</u>	<u>SCL Road Numbers</u>
Box Cars	55-ton	XM & XL	159	25891-25949, incl. and 27400-27499, incl.
Woodchip Hopper Cars	70-ton	HTS	70	190660-190729, incl.
Wet Rock Hopper Cars	77-ton	HMS	100	155600-155699, incl.

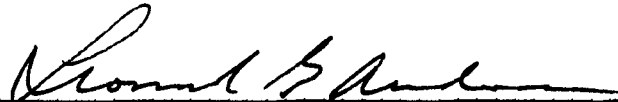
3. Counterparts No. 4 of the above-mentioned documents should be returned to Mr. Erle J. Zoll, Jr., representing the undersigned, 1000 Connecticut Avenue, N.W., Washington, D. C. 20036.

I am enclosing this company's check in the amount of \$50.00 made payable to the Commission, covering the recordation fee for the above-mentioned document.

Very truly yours,

SEABOARD COAST LINE RAILROAD COMPANY

By



Leonard G. Anderson
Vice President and Treasurer

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8422-A
RECORDATION No. Filed & Recorded
JUL 27 1976 2:42 PM
INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of June 1, 1976

Between

SEABOARD COAST LINE RAILROAD COMPANY

and

EXCHANGE NATIONAL BANK OF CHICAGO,
as Owner Trustee

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT, dated as of June 1, 1976, between SEABOARD COAST LINE RAILROAD COMPANY (hereinafter called the Lessee or the Builder) and EXCHANGE NATIONAL BANK OF CHICAGO, a national banking association, not in its individual capacity but solely as Trustee (hereinafter called the Lessor or the Vendee) under a Trust Agreement dated as of June 1, 1976 (hereinafter called the Trust Agreement), with MERCANTILE NATIONAL BANK AT DALLAS and FIRST ILLINOIS LEASING CORPORATION (hereinafter collectively called the Beneficiaries).

American National Bank and Trust Company of Chicago, not in its individual capacity but solely as Agent (said national association, as so acting, being hereinafter, together with its successors and assigns, called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor, the Lessee, the Beneficiaries and the parties named in Schedule A thereto, the Builder and the Vendee are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Document), wherein the Vendor has agreed to sell to the Vendee its interest in the railroad equipment described in Schedule A hereto after it has been reconstructed by the Builder.

The Lessee desires to lease all the units of said equipment, or such lesser number as are delivered, accepted and settled for under the Security Document (such units being hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the rights and remedies of the Vendor under the Security Document:

Section 1. Delivery and Acceptance of Units.
The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the

Security Document. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to accept delivery of such Unit and execute and deliver to the Lessor and the Builder a certificate of acceptance and delivery (hereinafter called the Certificate of Acceptance), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

Section 2. Rental. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease two interim and 16 consecutive semiannual payments. The interim payments are payable on January 1, 1977, and the Cut-Off Date (as defined in the Participation Agreement) (or as promptly thereafter as practicable). The 16 semiannual payments are payable on January 1 and July 1 in each year, commencing July 1, 1977, to and including January 1, 1985. The interim payment on January 1, 1977, shall be in an amount equal to the product of the Purchase Price (as such term is defined in the Security Document) for each Unit subject to the Lease multiplied by .02430556% for each day elapsed from and including the date such Unit is settled for under the Security Document to but not including January 1, 1977. The interim payment payable on the Cut-Off Date (or as promptly thereafter as practicable) shall be in an amount equal to the amount payable by the Lessor to the Agent pursuant to clause (a) of the last paragraph of Paragraph 9 of the Participation Agreement plus an amount, if any, equal to the deficiency payable pursuant to the first paragraph of said Paragraph 9. The interim payment payable on January 1, 1977, shall be increased by an amount equal to the amount required by the Lessor to make the payments provided for in clause (b) of the last paragraph of Paragraph 9 of the Participation Agreement. The 16 semiannual rental payments with respect to each Unit shall each be in an amount equal to 7.132% of the Purchase Price of each such Unit then subject to this Lease. The foregoing rental rates have been calculated on the assumption that 72% of the Purchase Price of the Units will be provided by the Vendor out of Available Investors' Funds (as such term is defined in Article Four of the Security Document). If for any reason the Available Investors' Funds are not so available and the Lessor pays more than 28% of the Purchase Price of any Unit pursuant to the third paragraph of Article 3 of the Security Document on a Closing Date (as such term is defined in the Security Document) or if the funds deposited by the Investors (as such term is defined in the Participation Agreement) bear an interest rate other

than 8-3/4% per annum, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Beneficiaries' net after-tax return (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Beneficiaries in originally evaluating this transaction) will not be increased or decreased by reason thereof; provided, however, that the rentals and Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the Security Document, notwithstanding any limitation of liability contained therein.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Chicago, Illinois, are authorized or obligated to remain closed.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Document, or the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether

similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

Section 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 6, 9 and 12 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due hereunder.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the Security Document. If an event of default should occur under the Security Document, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

Section 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, the legend required by Article 8 of the Security Document or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the Security Document. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace

promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Document shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

Except as above provided, the Lessee, so long as this Lease shall remain in effect, will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

Section 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all state and city income taxes and franchise taxes measured by net income based on such receipts or gross receipts taxes other than gross receipts taxes in the nature of sales or use taxes, up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state or city, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, documentary stamp taxes, or license fees and any

charges, fines or penalties in connection therewith (hereinafter called impositions) now or hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Document, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the advance opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or under the Security Document. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Vendor pursuant to Article 5 of the Security Document not covered by the foregoing paragraph of this Section 5, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 5.

In the event any reports with regard to impositions are required to be made on the basis of individual Units or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor in the Units as shall be satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any impositions, pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

Section 6. Maintenance; Payment for Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days or until the end of the term of this Lease (each such occurrence being hereinafter called a Casualty Occurrence) prior to the return of such Unit in the manner set forth in Section 14 hereof, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the rental payment date listed in Table 1 of Schedule B hereto next succeeding such notice. On such rental payment date the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus an amount equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis; provided, however, that the Lessee shall not sell any such Unit to itself or any of its affiliates. Provided that the Lessee

has previously paid the Casualty Value to Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) if applicable to such Unit, that percentage of the Reconstruction Cost thereof as set forth in Table 2 of said Schedule B with respect to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering such Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the responsibility for and risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained insurance in respect of the Units at the time subject hereto, in amounts and against risks customarily insured against by the Lessee in respect of similar equipment owned by it.

Section 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1978, the Lessee will cause to be furnished to the Lessor, the Beneficiaries and the Vendor (at the addresses shown in Section 17 hereof), an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Units (a) then leased hereunder and/or covered by the Security Document, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof and by Article 8 of the Security Document shall have been preserved or replaced. The Lessor and the Beneficiaries, respectively, shall have the right at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor or the Beneficiaries, respectively, may request during the continuance of this Lease.

Section 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE, OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Article 12 of the Security Document; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and and expense,

such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor, respectively, under this Lease or under the Security Document. The Lessee, at its own cost and expense, may furnish additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the

additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (specifically including for the purposes of this provision the Beneficiaries) and the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the Security Document, the Participation Agreement, the Hulk Purchase Agreement or this Lease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease or (v) the transfer of title to the Equipment by the Vendor pursuant to any provision of the Security Document. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and/or the Hulk Purchase Agreement, provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal of or interest on the Conditional Sale Indebtedness.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

Section 9. Default. If, during the continuance of this Lease, one or more of the following events (each

such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in the payment of any amount provided for in Sections 2, 6 or 12 hereof and such default shall continue for ten days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under the Security Document and this Lease shall not have been (and shall not continue to be) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

E. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under this Lease, the Participation Agreement or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Les-

see hereunder, under the Participation Agreement or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, under the Participation Agreement or under the Consent, as the case may be, shall not have been (and shall not continue to be) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period

by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 3.194% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies

in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Section 10. Return of Units upon Default. If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and

risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the per diem interchange rate for such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

Section 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. The rights of the Lessor hereunder (including, but not limited to, the rights under Sections 5, 6, 8 and 9 and the rights to receive the rentals payable under this Lease)

shall inure to the benefit of the Vendor as assignee thereunder in the manner and to the extent therein provided. In the event that, pursuant to such assignment and the rights of the Vendor thereunder and under the Security Document, the Vendor shall at any time cause this Lease to be terminated, the Lessee agrees that following the payment in full by the Vendee of the entire unpaid Conditional Sale Indebtedness (as defined in the Security Document) together with interest thereon, the Vendee may enforce compliance by the Lessee with its covenants and agreements under this Lease.

So long as the Lessee shall not be in default under this Lease and no event of default exists under the Security Document, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge or cause to be duly discharged any and all sums claimed by any party which if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor after the date hereof or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units), upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

Subject to the terms of this Lease, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon the lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic and equipment, but only upon and subject to all the terms and conditions of this Lease, including the last paragraph of this Section 11, and the Security Document. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

The Lessee agrees that during the term of this Lease, it will not assign any Unit to service involving the regular operation and maintenance thereof outside the United States of America.

Section 12. Renewal Option; Purchase Option.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may elect, by written notice delivered to the Lessor not less than six months prior to the end of the original term of this Lease or the first extended term hereof, to extend the term of this Lease in respect of all, but not fewer than all, the Units covered by this Lease for an additional two-year period commencing on the scheduled expiration of the original term or the extended term of this Lease, as the case may be, provided that the Lessee may not so elect to extend the term of this Lease for more than two such additional two-year periods, at a rental payable in arrears in semiannual payments, in an amount equal to the "Fair Market Rental" of such Units as of the commencement of such extended term, such semiannual payments to be made on January 1 and July 1 in each year of the applicable extended term.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

Provided that the Lessee is not in default, the

Lessee shall have the right to purchase all but not less than all of the Units then leased hereunder at the expiration of the original term or of any renewal term pursuant to this Section 12 at a price equal to the Fair Market Value of such Units (as hereinafter defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the term or any extended term of this Lease of its election to exercise the purchase option provided for in this Section. Payment of the option price shall be made at the office of the Lessor specified in Section 17 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Units and containing warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Units or any other matters.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing purchaser (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

Notwithstanding any election of the Lessee to purchase as provided in this Section 12, the provisions of Section 6 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Units purchased by the Lessee upon such date unless the purchase price has been agreed upon by the parties pursuant to this Section 12, in which event the amount payable under Section 6 hereof shall be the greater of the amount otherwise payable under said Section 6 or such purchase price.

If on or before four months prior to the expiration of any term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or the Fair Market Value, as the case may be, of the Units, each value shall be determined in accordance with the foregoing definitions, respectively, by the following procedure: If either party to such determination shall have given written notice to the other requesting determina-

tion of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine such value of the Units within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of such value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as such value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and/or Fair Market Value, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

Section 13. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit but in any event not later than 90 days after such expiration, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee or any of its affiliates as the Lessor may designate or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any connecting

carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

All amounts earned in respect of the Units after the end of the term of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after the end of the term of this Lease, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which the per diem interchange rate for such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Section 14. Tax Indemnities. (A) In entering into the transaction contemplated by this Lease and the Security Document, it is the intention that such transaction will result in making available to the Lessor certain tax benefits (hereinafter called the Tax Benefits) for the purpose of determining its liability for Federal income tax purposes on the basis of the following:

(a) this Lease constitutes a lease;

(b) the Trust is the lessor and the Lessee is the lessee under this Lease;

(c) the Lessor is entitled to deduct the interest (hereinafter called the Interest Deduction) payable under the Security Document in computing its taxable income;

(d) the Lessor is entitled to the 10% investment tax credit allowed under Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the Code), with respect to the portion of the Purchase Price of the Units equal to the Reconstruction Cost (as defined in the Security Document), such investment credit to be available to the Lessor for the year 1976 (hereinafter called the Investment Credit);

(e) in computing its taxable net income the Lessor is entitled to (1) depreciate the portion of the Purchase Price of the Units equal to the Reconstruction Cost utilizing an 8-year life, employing initially the 200% declining balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the sum of the years digits method of depreciation when most beneficial to the Lessor, and, with respect to the portion of the Purchase Price of the Units equal to the Hulk Purchase Price (as defined in the Security Document), utilizing an 8-year life and employing initially the 150% declining balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the straight line method of depreciation when most beneficial to the Lessor, in accordance with Section 167(b)(1), (2) or (3) of the Code, (2) take into account a salvage value, after the reduction allowed by Section 167(f) of the Code, of 10% of the Purchase Price of the Units, and (3) calculate on the assumption that each Unit is first placed in service by the Lessor during 1976 based upon the convention adopted by the Lessor (hereinafter called the Depreciation Deduction); and

(f) all amounts includible in gross income by the Lessor with respect to this Lease will be treated as income from sources within the United States.

(B) The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time during the term of this Lease or any extended term thereof take any action or fail to take any action or file any returns, certificates or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Lessor, except as provided in paragraph (C) of this section, over the amounts specified to be payable under this Lease on the dates due thereunder.

The Lessee represents and warrants that (i) the portion of the Units attributable to the Reconstruction Cost does not constitute property the reconstruction of which was begun before April 1, 1971; (ii) at the time the Lessor becomes the owner of the Units, the portion of the Units attributable to the Reconstruction Cost will qualify as "new section 38 property" within the meaning of Section 48(b) of the Code; (iii) at the time the Lessor becomes the owner of the Units, the portion of the Units attributable to the Reconstruction Cost will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; (iv) at the time the Lessor becomes the owner of the Units, no investment credit, depreciation or other tax benefits will have been claimed by any person with respect to the portion of the Units attributable to the Reconstruction Cost; (v) at all times during the term of this Lease, the Units will constitute "section 38 property" within the meaning of Section 48(a) of the Code, and (vi) the Lessee will not at any time during the term of this Lease use, or fail to use, any Unit in such a way as to cause any amounts includible in the gross income of the Lessor for Federal income tax purposes to be treated as derived from or allocable to sources outside the United States.

If (a) for any reason (except as a direct or indirect result of the occurrence of any Excluded Event set forth below and except where the failure to get a ruling is the result of an agreement between the Lessor and a third party) prior to the Lessor's obtaining a favorable ruling (herein called the Ruling) from the Internal Revenue Service as to the Lessor being the owner of the Units and as to its right to claim the Tax Benefits, the Lessor shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture (any such event

being hereinafter called a Loss), all or any portion of the Tax Benefits with respect to all or part of any Unit or (b) subsequent to the receipt of the Ruling, the Lessor shall incur a Loss with respect to any Unit due to (w) the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee (or any officer, agent or employee thereof or of any affiliated company thereof) in connection with the application for the Ruling, (x) the inaccuracy of any representation or noncompliance with any agreement contained in the second or third paragraphs of this Section 14 (y) the use of any Unit by the Lessee in a manner inconsistent with the Lessor's claim to the Tax Benefits or (z) any change in the Internal Revenue Code of 1954, as amended, or regulations thereunder having an effective date on or before the last Closing Date, then in any such case the Lessee shall pay to the Lessor on each of the dates provided in this Lease for payment of the instalments of rental thereunder commencing with the first such date following the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided, such sums which (after deduction of all taxes required to be paid by the Lessor on the payment of such sums under the laws of the United States or any political subdivision thereof), when taken together with the rental instalments due on such dates under this Lease, will, in the reasonable opinion of the Lessor, cause the Lessor's net after tax return in respect of such Unit hereunder and under this Lease to equal the net after tax return (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction) in respect of such Unit hereunder and under this Lease that would have been available if the Lessor had been entitled to utilization of all of such Tax Benefits; provided, however, that the Lessee shall not be required to pay such sums if the Lessor fails to make known to the Lessee the assumptions and computations utilized by the Lessor in originally evaluating this transaction and in determining such sums; it being understood and agreed, however, that any such computations furnished by the Lessor shall be subject to approval by the Lessee, which approval shall not be unreasonably withheld. In the event that the Lessor and Lessee are unable to agree upon such computations, then such computations shall be determined by an arbitrator to be selected by the Lessor and Lessee, or if they cannot agree upon an arbitrator within 30 days following notice of arbitration by one party to the other, an arbitrator shall be selected in accordance with the procedures of the American Arbitration Association. In the event that this Lease is terminated with respect to any unit prior to the time the Lessee is obligated to make payments to the Lessor as set forth in this paragraph, then the Lessee

shall pay to the Lessor, on or before 30 days after the liability of the Lessee hereunder shall become fixed as hereinafter provided, such lump sum (calculated in the same manner as set forth in this paragraph) as shall be necessary in the reasonable opinion of the Lessor to cause the Lessor's net after tax return in respect of such Unit hereunder and under this Lease to the date thereof to equal the net after tax return (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction) in respect of such Unit hereunder and under this Lease that would have been available if the Lessor had been entitled to utilization of such Tax Benefits.

Anything in the preceding paragraph to the contrary notwithstanding, the Lessee shall not be required to make any payment to the Lessor provided for therein if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been required to recapture all or any portion of any Tax Benefit with respect to all or part of such Unit as a direct result of the occurrence of any of the following events (hereinafter called Excluded Events):

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under Section 6 hereof;

(ii) a voluntary transfer or other voluntary disposition by the Lessor of any interest in such Unit (except the transfer or disposition contemplated by the Transfer Agreement or the subjection of such Unit to the Security Document) or the voluntary reduction by the Lessor of its interest in the rentals from such Unit under the Lease (except pursuant to any assignment thereof to the Vendor as security) or any transfer or disposition by the Lessor resulting from bankruptcy or other proceedings for the relief of debtors in which the Lessor is the debtor (whether voluntary or involuntary) of any interest in such Unit or in the rentals therefor under this Lease unless, in each case, an Event of Default under this Lease shall have occurred and be continuing;

(iii) the amendment of the Hulk Purchase Agreement, the Transfer Agreement or the Security Document without the prior written consent of the Lessee;

(iv) the failure of the Lessor to claim the Invest-

ment Credit, the Depreciation Deduction or the Interest Deduction, as applicable, in its Federal income tax return for the appropriate year or the failure of the Lessor to follow proper procedure in claiming any Tax Benefit;

(v) the failure of the Lessor to have sufficient liability for tax against which to credit such Investment Credit or sufficient income to benefit from the Depreciation Deduction or the Interest Deduction, as applicable; or

(vi) a change in, or amendment to, the Code or the regulations thereunder which has an effective date after the last Closing Date under the Security Documentation.

In the event that, due to a change in or amendment to the Code or any regulation issued thereunder becoming effective on or before the last Closing Date, under the Security Document Lessor's net return (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction as hereinabove referred to in this Section and on the basis of whether and when the Beneficiaries can utilize any such increased tax benefits) under this Lease shall be increased, then the rental rates set forth in Section 2 hereof shall be decreased by such amount as, in the reasonable opinion of the Lessor, will cause the Lessor's net return under this Lease to equal the net return (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction as hereinabove referred to in this Section) that would have been available to the Lessor had the Code or such regulation not been so changed or amended; provided, however, that no such change or amendment shall reduce the amount of rentals below that which is necessary to satisfy the obligation of the Lessor to pay the Purchase Price, and interest thereon, for the Units under the Security Document, notwithstanding any limitation of liability of the Lessor contained therein.

If, as a result of the Internal Revenue Service either indicating an intent to rule adversely on any item in respect of the Ruling or proposing an adjustment in respect of which the Lessee may be required to indemnify the Lessor, it is the opinion of Lessor's or Lessee's tax counsel (herein referred to as Counsel), that a bona fide claim to all or a portion of the Tax Benefits with respect to any Unit exists in respect of which the Lessee would otherwise be

required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request of the Lessee, contest such matter administratively; provided, however, that the Lessor shall not be obligated to take any such legal or other appropriate action in either the United States Tax Court or other court of competent jurisdiction selected by the Lessor unless it has received an opinion from an independent counsel selected by the Lessee and acceptable to the Lessor that there is a reasonable basis for contesting such matter and the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein which are related to the contest of the item or adjustment. The Lessor may, at its option, take such action prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Lessor of all or any portion of the Tax Benefits with respect to any Unit (a "Tax Payment") or may make such Tax Payment and then sue for a refund. If the Lessor takes such action prior to making such Tax Payment, such sums payable hereunder need not be paid by the Lessee while such action is pending. In such case, if the Final Determination (as hereinafter defined) shall be adverse to the Lessor, the sums payable hereunder shall be computed by the Lessor as of the date of such Final Determination and the Lessee shall commence payment thereof on the rental payment date under this Lease next succeeding such Final Determination and, on or before such rental payment date, the Lessee shall pay to the Lessor as an additional payment hereunder an amount equal to all interest and penalty paid by the Lessor in respect of such Final Determination, together with interest thereon from the date such payment is made by the Lessor to the date the Lessee reimburses the Lessor thereof at the rate of interest charged by The Chase Manhattan Bank, National Association, to its prime commercial customers on short-term unsecured borrowings (the "Prime Rate") in effect on the date of such Final Determination. If the Lessor makes such Tax Payment prior to contesting the matter, the sums payable hereunder shall commence to be payable by the Lessee on the first rental payment date under this Lease after such Tax Payment is made and, on or before such rental payment date, the Lessee shall pay to the Lessor as an additional payment hereunder an amount equal to all interest and penalty paid by the Lessor included in such Tax Payment. If the Lessor sues for a refund after making such Tax Payment and the Final Determination shall be in favor of the Lessor, no future payments shall be due hereunder in respect of such matter (or an appropriate reduction shall be made if the Final Determination is partly in favor of and partly adverse to the Lessor).

In addition, the Lessee and the Lessor shall adjust their accounts so that (a) the Lessor pays to the Lessee (x) an amount equal to the sums theretofore paid by the Lessee to the Lessor (or a proportionate part thereof if the Final Determination is partly in favor of and partly adverse to the Lessor) on or before such next succeeding rental payment date together with interest thereon at the Prime Rate for the period such sums were paid to the Lessor to the date the Lessor pays to the Lessee an amount equal to such sums, and (y) the amount of any penalty or interest refunded to the Lessor as a result of such Final Determination and any interest paid to the Lessor by the government on such refund, promptly upon receipt thereof and (b) the Lessee pays to the Lessor an amount equal to interest at the Prime Rate on the amount of the tax refund made in respect of the Tax Payment (excluding any interest or penalty included therein) for the period from the date of the original payment of the Tax Payment by the Lessor to the date such tax refund is received by the Lessor, such Prime Rate to be calculated in either case as from time to time in effect during the respective periods.

"Final Determination" for the purpose of this Section 14, means a final decision of a court of competent jurisdiction after all allowable appeals have been exhausted by either party to the action. Neither concession by the Lessor of any of the aforementioned Tax Benefits in the over-all settlement of a controversy with the Internal Revenue Service either at the administrative level or at the court level nor the failure to recover a refund in whole or in part with respect to the disallowance of such Tax Benefit which is the result of the setoff against the claim for refund based upon the loss of such Tax Benefits where the matters set off do not relate to such Tax Benefits will constitute an adverse "final determination" causing the aforementioned additional payments to accrue to the Lessor. If the Lessor agrees to the disallowance of a claim for refund based upon the loss of Tax Benefits because of the assertion against it of offsets involving other issues, the Lessor shall advise the Lessee of this decision within 30 days of its making and such decision will be treated as the receipt of a refund by the Lessor for the purposes of the above provisions.

(C) In the event and to the extent that the cost of any improvement and/or addition (hereinafter called the Alterations) to a Unit made by the Lessee, under and pursuant to the terms of this Lease or otherwise, is required to be included in the gross income of the Lessor for Federal

income tax purposes, then the Lessee shall pay to the Lessor on each of the dates provided in this Lease for payment of the instalments of rental thereunder commencing with the first such date following the date on which the Lessee is required to furnish written notice of such inclusion to the Lessor pursuant to the last paragraph of this Paragraph (C), such sums which (after deduction of all taxes required to be paid by the Lessor on the receipt thereof under the laws of the United States or any political subdivision thereof), when taken together with the rental instalments due on such dates under this Lease, will, in the reasonable opinion of the Lessor, cause the Lessor's net after tax return (calculated on the same basis as used by the Lessor in originally evaluating this transaction) to equal the net after tax return that would have been realized by the Lessor if the cost of such Alterations had not been includible in the Lessor's gross income; provided, however, that the Lessee shall not be required to pay such sums if the Lessor fails to make known to the Lessee the assumptions and computations utilized by the Lessor in originally evaluating this transaction and in determining such sums, it being understood and agreed, however, that any such computations furnished by the Lessor shall be subject to approval by the Lessee, which approval shall not be unreasonably withheld. In the event that the Lessor and Lessee are unable to agree upon such computations, then such computations shall be determined by an arbitrator to be selected by the Lessor and Lessee, or if they cannot agree upon an arbitrator within 30 days following notice of arbitration by one party to the other, an arbitrator shall be selected in accordance with the procedures of the American Arbitration Association.

For purposes of this Paragraph (C) the cost of Alterations made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor for Federal income tax purposes" if such inclusion is required by (i) any private ruling letter issued to the Lessor by the Internal Revenue Service that has not been revoked or otherwise rendered inapplicable at the time the cost of said Alterations is incurred; (ii) any provision of the Code or the applicable regulations thereunder; or (iii) any published revenue ruling of the Internal Revenue Service which has not been held invalid by a court having ultimate appellate jurisdiction over the Federal income tax liability of the Lessor.

The Lessor agrees that it will, upon the written request and at the sole expense of the Lessee (A) seek a modification of any private ruling letter described in (i) of the

preceding paragraph to eliminate the requirement that the cost of Alterations be included in the Lessor's gross income and (B) contest the inclusion of the cost of Alterations in its gross income if such inclusion is required pursuant to (ii) or (iii) of the preceding paragraph in such forum as it, in its sole judgment shall select; provided, however, that the Lessor shall not be required to contest such inclusion unless it has received an opinion from independent counsel selected by the Lessee and acceptable to the Lessor that there is a reasonable basis for contesting such inclusion and the Lessee has advanced to the Lessor such sums as the Lessor may reasonably deem necessary to pay the costs of such contest.

The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Alterations which are required to be included in the gross income of the Lessor for Federal income tax purposes, the Lessee will give written notice thereof to the Lessor describing such Alterations in reasonable detail and specifying the cost thereof with respect to each Unit.

(D) In the event the rental rates shall be increased as hereinbefore provided, the Casualty Values set forth in Section 6 hereof shall be changed accordingly.

The Lessor agrees that it will apply for and diligently seek the Ruling. The Lessee will join in any request for such Ruling, and will furnish such documents, records and representations (including, but not limited to, evidence of the useful life and residual value of the Units sufficient to support the matters claimed in such request) as shall be deemed necessary and appropriate for such request by the Lessor.

Section 15. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, the Security Document and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, recording and depositing and refiling, re-recording and redepositing required of the Lessor under the Security Document and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, re-register, re-record or redeposit whenever required) any and all further

instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the assignment hereof to the Vendor, or the Security Document; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the Security Document shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any unit.

Section 16. Interest on Overdue Rentals. Anything to the contrary herein notwithstanding, any nonpayment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 9-3/4% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

Section 17. Notices. Any instruction or notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at

LaSalle and Adams Streets
Chicago, Illinois 60690

Attention of Corporate Trust Officer,

with a copy to the Beneficiaries,

if to the Lessee, at

3600 Broad Street
Richmond, Virginia 23230

Attention of L. G. Anderson, Esq.
Vice President and Treasurer,

if to the Vendor, at

LaSalle and Washington Streets
Chicago, Illinois 60690

Attention of William A. Ansley, Esq.
Second Vice President,

if to the Beneficiaries,

Mercantile National Bank at Dallas
P. O. Box 5415
Dallas, Texas 75222

Attention of Peter Bartholow,
Vice President

First Illinois Leasing Corporation
800 Davis Street
Evanston, Illinois 60204

Attention of President

or addressed to any such party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor as hereinabove provided.

Section 18. Effect and Modification of Lease.

Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

Section 19. Definitions. Whenever the term "Lessor"

is used in this Lease it shall include the Beneficiaries and any assignee and, where the context so requires (including but not limited to certain of the provisions of Section 9 and all of the provisions of Section 14 hereof), shall refer only to the Beneficiaries or such assignee. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Vendor and any successors thereto (with the exception of

certain tax provisions of Section 9 and Section 14 hereof) unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

Section 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lessor shall be deemed to be the original counterpart. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 21. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Virginia; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22. Immunities; No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all the warranties, representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal warranties, representations, covenants, undertakings and agreements by Exchange National Bank of Chicago, or for the purpose or with the intention of binding said corporation personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by

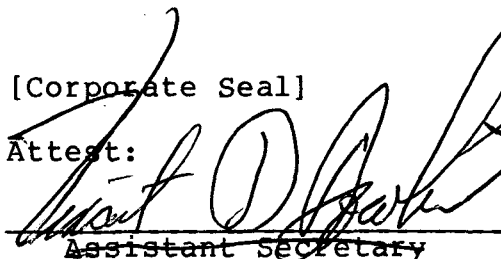
said Exchange National Bank of Chicago solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or negligence, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said corporation or the Beneficiaries or on account of any warranty representation, covenant, undertaking or agreement of the Lessor, either express or implied, all such personal liability, if any, being expressly waived and released by the Lessee.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

EXCHANGE NATIONAL BANK OF CHICAGO,
not personally but solely as
trustee as aforesaid,

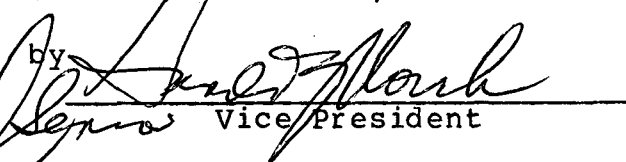
[Corporate Seal]

Attest:


Assistant Secretary

~~Assistant Trust Officer~~

by

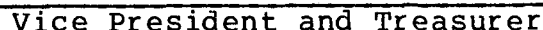

Vice President

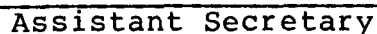
SEABOARD COAST LINE RAILROAD COMPANY,

by

[Corporate Seal]

Attest:


Vice President and Treasurer


Assistant Secretary

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 23 day of JULY, 1976, before me personally appeared HAROLD Z. NOVAK, to me personally known, who, being by me duly sworn, says that he is Vice President of EXCHANGE NATIONAL BANK OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Marion L. Fritscher
Notary Public

[Notarial Seal]

My Commission expires
May 18, 1980

COMMONWEALTH OF VIRGINIA,)
) ss.:
CITY OF RICHMOND,)

On this _____ day of _____, 1976, before me personally appeared LEONARD G. ANDERSON, to me personally known, who, being by me duly sworn, says that he is Vice President and Treasurer of SEABOARD COAST LINE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE A

<u>Quantity</u>	<u>AAR Mechanical Designation</u>	<u>Description</u>	<u>Lessee's Road Numbers (Inclusive)</u>
159	XM & XL	55-ton box cars	SCL 25891- 25949 SCL 27400- 27499
70	HTS	70-ton woodchip hopper cars	SCL 190660- 190729
100	HMS	77-ton wet rock hopper cars	SCL 155600 155699

SCHEDULE B

Casualty Value Percentages Schedule

Table 1

<u>Rental Payment Date</u>	
January 1, 1977	85.07568
July 1, 1977	83.5634
January 1, 1978	81.2951
July 1, 1978	78.5109
January 1, 1979	75.2853
July 1, 1979	71.6493
January 1, 1980	67.6505
July 1, 1980	63.4195
January 1, 1981	59.0051
July 1, 1981	54.4116
January 1, 1982	49.7329
July 1, 1982	44.7984
January 1, 1983	39.7664
July 1, 1983	34.6695
January 1, 1984	29.7565
July 1, 1984	24.5392
January 1, 1985	20.0000
and thereafter	20.0000

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of the Investment Credit (as defined in the Lease). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Reconstruction

Cost set forth below:

Anniversary of
Delivery and Acceptance

Percentage of Reconstruction Cost

Third
Fifth
Seventh

20.000
13.333%
6.667